Polish real estate still strongest in Central Europe: C&W

Poland remains the primary destination for international capital in Central Europe when it comes to investment in real estate, according to international real estate services company Cushman & Wakefield. In the first quarter of this year, investment activity on Poland's real estate market exceeded EUR 500 million, rising by 17 percent from the first three months of last year. Of the total 44 transactions recorded in the region in Q1 2016, twenty-two took place in Poland, Cushman & Wakefield says.

The core Central European real estate markets of Poland, the Czech Republic, Slovakia, Hungary and Romania continued to show strong investment activity in the first quarter of 2016, with a total of EUR 1.4 billion invested, according to Cushman & Wakefield. While the transaction volume decreased by 5 percent from the corresponding period of last year, the drop was smaller than in Europe as a whole (14 percent). Q1 activity was also above the long-run average of EUR 1.2 billion.

In the 12 months ending in Q1 2016, close to EUR 7 billion was traded in the region, similar to the 12-month period ending in Q4 2015. This marked a 7-percent rise in the volume activity recorded in the 12 months ending in Q1 2015.

Commenting on the level of activity in Q1 2016, James Chapman, Partner CE, Capital Markets at Cushman & Wakefield, said, "Any thoughts of a market slowdown have so far proved unfounded. Investors are showing their confidence in the region's economic performance over and above political changes. We can already see Q2 activity likely to outstrip 2015 volumes with further growth set for the second half of the year."

The levels of activity varied across the region. Apart from Poland, significant growth was also recorded in Hungary (EUR 132 million transacted, an 18-percent increase year on year) and Slovakia (EUR 175 million). At the same time, the Czech Republic, which delivered an exceptional performance in Q1 2015, saw volumes fall over the same period (EUR 278 million, down by 68 percent). As a result, Romania took second place in terms of volume, with EUR 288 million transacted.

In terms of types of property, offices led the Central European market, with EUR 621 million traded in Q1 2016 (a staggering 252-percent increase year on year), followed by retail at EUR 574 million (a 28-percent decrease). Retail investors focused on shopping centers as well as super- and hypermarkets. The industrial sector, which started 2015 with a great result, also recorded a fall in volumes, down by 61 percent to EUR 180 million. The average lot size was EUR 31 million, slightly below the EUR 37 million recorded in 2015.

Jeff Alson, Partner CE, Capital Markets, Cushman & Wakefield, said, "There is an increasing balance to the figures in 2016. All countries in the CEE region are contributing to the overall activity and investor interest is spread across the sectors. The volumes are less reliant upon single, large transactions although there are a number of these likely to complete in H2 2016. These are all strong indicators of a robust, healthy market."

The largest single property transaction in CE in Q1 2016 was the Central Bratislava Shopping Centre bought in the Slovak capital by Allianz Real Estate from Immocap for EUR 175 million. The largest portfolio transaction was the portfolio of retail assets across the Czech Republic acquired by Palmer Capital from Atrium for EUR 103 million.

In the first quarter of this year, 75 percent of activity was by overseas investors. However, this share is below both the long-run average and the average for 2015 (just over 80 percent). This may change as Asian investors are slowly moving their focus to Central Europe. More capital from South Africa is also expected to come into Central Europe. In the case of Poland, while the country's real estate investment market is still dominated by foreign capital inflows, Polish investors have never been so active on the market. This strong presence is expected to continue, accounting for the overall fall in overseas capital activity as Poland remains the largest market in the region.

Source: The Warsaw Voice